

16.2 FIT FOR THE FUTURE

ATTACHMENTS:	1. TELEPHONE SURVEY RESULTS 2. CITIZENS' PANEL REPORT 3. MORRISON LOW CONSULTANT'S FINANCIAL REPORT (DISTRIBUTED SEPARATELY) 4. SUMMARY OF SCALE AND CAPACITY INFORMATION (DISTRIBUTED SEPARATELY) 5. COMMENTS AND SUBMISSIONS RECEIVED DURING CONSULTATION PERIOD (DISTRIBUTED SEPARATELY)
RESPONSIBLE OFFICER:	DEBRA JUST – GENERAL MANAGER
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CITY STRATEGY LINK:	6.3.4 COUNCIL WORKS WITH STATE AND REGIONAL ORGANISATIONS
MEETING DATE:	22 JUNE 2015

1. Purpose of Report

To seek Council's endorsement for the completion of *Template 2 (Willoughby) Council Improvement Proposal* as its *Fit For The Future* submission to IPART by 30 June 2015.

To provide information to Council based on the following:

- A summary of the results of all consultation methods undertaken with residents based on the four *Fit for the Future* scenarios as resolved by Council on 9 March 2015
- A summary of the Citizens' Panel recommendation
- An update on the appointment of the Independent Pricing and Regulatory Tribunal (IPART) and the associated methodology to be used to determine the "fitness" of Councils
- An update on the adopted positions of Councils which formed part of the four scenarios being considered by Willoughby Council
- Information provided by external consultants to inform Council's *Fit for the Future* submission
- An update on the commencement of a Legislative Council Select Committee Inquiry into *Fit for the Future*
- Details of the process to prepare a submission to IPART, due 30 June 2015

2. Background

On 9 March 2015, Council resolved as follows in relation to the State Government's *Fit for the Future* proposal on local government reform:

"That

- 1. Council acknowledges that it is required to prepare a response to the State Government's Fit for the Future initiative by 30 June 2015 that achieves scale and capacity which is consistent with the Independent Local Government Review Panel report's preferred option of a proposed merger of Hunter's Hill, Lane Cove, Mosman, North Sydney, Willoughby and the eastern part of Ryde Councils, or offer an alternative merger plan which is broadly consistent with the Panel's recommendation.*
- 2. Council notes that the intent of the Independent Local Government Review Panel's report was to strengthen 'strategic capacity' to ensure the long term sustainability and effectiveness of democratic local governance.*
- 3. Council notes that the merger process is voluntary and that, at this time, Hunter's Hill, Lane Cove and Ryde are not supportive of merging with other Councils and that Mosman will be conducting consultation on a range of options including the Independent Local Government Review Panel's six Council proposal indicated in 1 above.*
- 4. Council notes that Hunter's Hill, Lane Cove and Ryde are proposing to investigate a modified joint organisation structure that is not currently envisaged as an option for metropolitan Sydney in the State Government's Fit for the Future proposals.*
- 5. Council resolves to decline to be part of the proposed investigations into, and regional communications on, a modified joint organisation given its potential for significant duplication with other initiatives such as the North Shore Region of Councils and the State Government's sub regional planning process.*
- 6. Council resolves not to progress potential merger conversations with Ku-ring-gai Council at this time.*
- 7. Council notes that North Sydney has resolved to prepare a business improvement case for that Council but has also written to Willoughby and the four other Councils listed in the Independent Local Government Review Panel's preferred option, to ascertain interest in having discussions with a view to creating a new entity to satisfy the Fit for the Future criteria.*
- 8. Council resolves to consult with its communities on options for response to the State Government's Fit for the Future proposal using a telephone survey, the Citizen's Panel and community meetings informed by the distribution of relevant materials.*
- 9. Council resolves to include the following options in its consultation with residents on the State Government's Fit for the Future:*

10. *Willoughby City Council stand alone*
Willoughby and North Sydney Councils merger
Willoughby, North Sydney and Lane Cove Councils merger
Willoughby, Lane Cove, Hunter's Hill, Mosman, North Sydney and the eastern two-thirds of Ryde Councils merger.
11. *Council delegates to the Mayor and General Manager the authority to discuss with North Sydney Council the prospects of creating a new entity which satisfies the Fit for the Future criteria, including an alternative merger plan, to further inform Council's deliberations on its preferred option.*
12. *Council delegates to the Mayor and General Manager the authority to communicate Council's resolutions to Lane Cove, Hunter's Hill, Mosman, Ryde and Ku-ring-gai Councils.*
13. *Council declines to be part of a shared community engagement strategy that explores modified Joint Organisations as proposed by Ryde, Hunter's Hill Council and Lane Cove Council".*

3. Community Consultation

Council conducted extensive community consultation on the topic of *Fit for the Future*, with a particular focus on four scenarios resolved by Council at its meeting held on 9 March 2015.

The following four scenarios considered for community consultation:

- 1) Willoughby stand-alone
- 2) Willoughby and North Sydney merger
- 3) Willoughby, North Sydney and Lane Cove merger
- 4) Willoughby, North Sydney, Lane Cove, Hunter's Hill, Mosman and part Ryde (eastern two thirds) merger

Feedback was sought using a variety of methods, with details of each summarised below, as well as a *Summary of Consultation Results* which can be found in Section 3.8 of this report.

3.1 Information Pack and Hard Copy Reply Paid Survey

Ratepayers were mailed an *Information Pack* including a hard copy reply paid survey. Council received 2,043 hard copy survey responses during the consultation period which were entered into Council's online survey system in order to collate results. An additional 89 hard copy surveys were received after the submission date and are not included in the *Summary of Consultation Results* in Section 3.8 of this report.

Hard copy surveys were also available to the community at the Dougherty Community Centre, Chatswood Library and at Council's Customer Service Centre. It should be noted that hard copy surveys were able to be completed anonymously, allowing the possibility for individuals to complete more than one survey if they desired.

3.2 Telephone Survey

IRIS Research was commissioned by Council to conduct research amongst the area's residents in relation to the NSW Government's *Fit for the Future* reform program. To attain the views of those that make up Willoughby Local Government Area, a comprehensive telephone-based poll among the area's residents was used.

A random sample of households was selected by IRIS Research for the telephone based survey with 606 residents participating. This is a statistically representative sample for the City of Willoughby.

The main findings of the survey were:

Most preferred option

Results showed that over half of all residents in the telephone survey (54.3%) indicated their most preferred option was for Willoughby Council to remain by itself. This was significantly the most preferred option.

The second highest 'most preferred' option was for Willoughby to merge with North Sydney and Lane Cove Councils (18.7%). This was closely followed by only merging with North Sydney (15.8%). Refer **Attachment 1** for full report.

3.3 Have Your Say Willoughby Online Survey

A dedicated *Fit for the Future* consultation page was set up on the *Have Your Say Willoughby* site. The consultation page provided detailed information about the *Fit for the Future* proposal, the ability to download documents and links to relevant websites. All marketing material guided people to the consultation page and over 2,000 registered users of *Have Your Say Willoughby* were emailed to inform them about this resource.

The site also featured an online survey which mirrored the telephone and hard copy survey. In total 153 online survey responses were received. To participate in the survey participants were required to be a registered user of the *Have Your Say Willoughby* site.

3.4 Citizens Panel

Council recruited members of the community to take part in a deliberative Citizens' Panel with the charge of reporting back to Council on their preferred scenario in relation to *Fit for the Future*. A community engagement specialist from Straight Talk consultancy was engaged by Council to assist plan and facilitate the Panel. Below is an excerpt from the *Citizens' Panel Report* which summarises the process and recommendations of the Panel.

A group of 22 residents of Willoughby accepted the invitation by Council to participate in a Citizens Panel charged with making a recommendation to Council on the preferred Fit for the Future Scenario.

The group met for a total of 13 hours between Thursday 4 June and Saturday 13 June 2015.

The following methodology was adopted:

- *Presentation by Council officers of information underpinning the Fit for the Future parameters.*
- *Team building activities to facilitate communications.*
- *Presentation of additional financial and other information.*
- *Access to Council's website to read relevant documents such as the Independent Panel's Report and contribute to on line forum.*
- *Discussion of benefits and disadvantages of each of the Fit for the Future scenarios.*
- *Deliberation on each and selection of the preferred Scenario.*

Recommendation

The Panel's recommendation is Scenario 1; Willoughby Council – no amalgamation.

The reasons for this recommendation are as follows:

- *Known entity - mostly comfortable with current operations.*
- *Level of representation ie. Councillor to Citizen ratio is appropriate.*
- *Good mix of commercial, residential and environmental elements.*
- *Financial prospects look sound.*
- *Alternate business model of other scenarios unknown.*
- *Benefits of amalgamation not clear and alternative regional organisation of some services not presented and explored.*
- *Enables Willoughby Council to focus on its own strategy ie. to grow as second CBD.*

The Panel recognises that limitations of this recommendation may include the following:

- *Could limit long term purchasing power.*
- *Could limit negotiation power with the State Government.*
- *Affect synergy with adjoining councils.*
- *Inadequate sharing of resource costs.*
- *Amalgamation imposed with no opportunity to influence solution.*

Qualifications to recommendation:

The recommendation of the panel was made with the following qualifications:

- *Not enough information about pros and cons of each Scenario in the Fit for the Future analysis – in particular from other local government areas.*
- *Not clear that any of the scenarios meet the Fit for the Future criteria.*
- *No data on the operational model for amalgamations.*
- *State Government drivers or agenda not clearly explained.*
- *Wider governance/strategic issues between State and Local Government also need to be addressed.*
- *Local Government should have power to make local decisions.*
- *Options already exist for councils to co-operate and achieve savings.*
- *Amalgamation scenarios did not consider compatibility of merging councils.*
- *Recommendation of Scenario 1 does not preclude a need for change or improvement.*
- *Regional representation is important and should include State Government.*

- *Benefits of amalgamation can be achieved by councils working more closely.*
- *Regional body will address, influence and assist with funding of large projects.*

The full *Citizens' Panel Report* can be found in **Attachment 2** to this report.

3.5 Mail and Email Submissions

Council received 44 submissions regarding *Fit for the Future* by mail and email. Feedback from these submissions is summarised in the table below. Additional qualitative feedback from these submissions can be found in the *Comments and submissions received during consultation period* attachment to this report, (**Attachment 5**).

Preferred Scenario 1	Preferred Scenario 2	Preferred Scenario 3	Preferred Scenario 4	Did not indicate a preference for any scenario
11	3	4	5	11

3.6 Staff Survey

A survey was made available to staff in both online and hard copy format. In total 146 responses were received for the staff survey. Detailed results are summarised later in this report.

3.7 Other Activities

Council undertook a number of activities to ensure the community was adequately informed about the scenarios being considered by Council as well as to raise awareness of the broader issue of local government reform. These activities included:

- **Information Stalls** – Five information stalls were held at two locations for a total of ten hours during the consultation period. Staff were available to answer questions from the community, hand out information and provide an opportunity for members of the public to complete hard copy surveys.
- **Advertisements in the North Shore times** – Council placed a number of advertisements in the North Shore Times newspaper including a full page advertisement on 8 May 2015. Advertisements advised the public of the online consultation page, dates for public information sessions and opportunities to express interest to participate in the Citizens' Panel.
- **Social Media** - A targeted social media campaign was undertaken on Council's social media accounts updating the community on Fit for the Future activities and inviting people to provide feedback.
- **Council Website** – A prominent banner appeared on Council's website directing visitors to the Have Your Say Willoughby Fit for the Future consultation page.
- **Media Release** – Media releases were published on 12 September 2014 and 19 May 2015 updating the media on Willoughby Council's activities in relation to Fit for the Future. A third media release is scheduled for late June 2015.

- The Mayor and General Manager attended the Federation of Progress Associations meeting on Saturday 30 June to provide information and answer questions regarding Fit for the Future.

3.8 Summary of Consultation Results

1st Preference

	Telephone Survey (606 responses)	Hard Copy Survey (2043 responses)	Online Survey (153 responses)	Staff Survey (146 responses)	Total by Scenario
1) Willoughby stand-alone	329	835	69	80	1313 (44.5%)
2) Willoughby and North Sydney merger	96	301	22	14	433 (14.7%)
3) Willoughby, North Sydney and Lane Cove merger	114	622	42	28	806 (27.3%)
4) Willoughby, North Sydney, Lane Cove, Hunter's Hill, Mosman and part Ryde (eastern two thirds) merger	42	211	17	12	282 (9.6%)
Prefer not to indicate a preference	25	17	3	12	57 (1.9%)
No response entered	0	57	0	0	57 (1.9%)
Total	606	2043	153	146	2948

2nd Preference

	Telephone Survey (579 responses)*	Hard Copy Survey (2043 responses)	Online Survey (153 responses)	Staff Survey (146 responses)	Total by Scenario
1) Willoughby stand-alone	63	208	63	59	393 (13.3%)
2) Willoughby and North Sydney merger	272	631	22	13	937 (31.7%)
3) Willoughby, North Sydney and Lane Cove merger	136	451	41	28	656 (22.2%)
4) Willoughby, North Sydney, Lane Cove, Hunter's Hill, Mosman and part Ryde (eastern two thirds) merger	30	153	17	11	211 (7.1%)
Prefer not to indicate a preference	78	155	3	12	248 (8.4%)
No response entered/2 nd preference same as 1 st preference	0	445	7	23	475 (16.1%)
Total	579	2043	153	146	2948

* In the telephone survey those who did not indicate 1st preference were not asked if they had a second preference

Combined 1st and 2nd Preference**

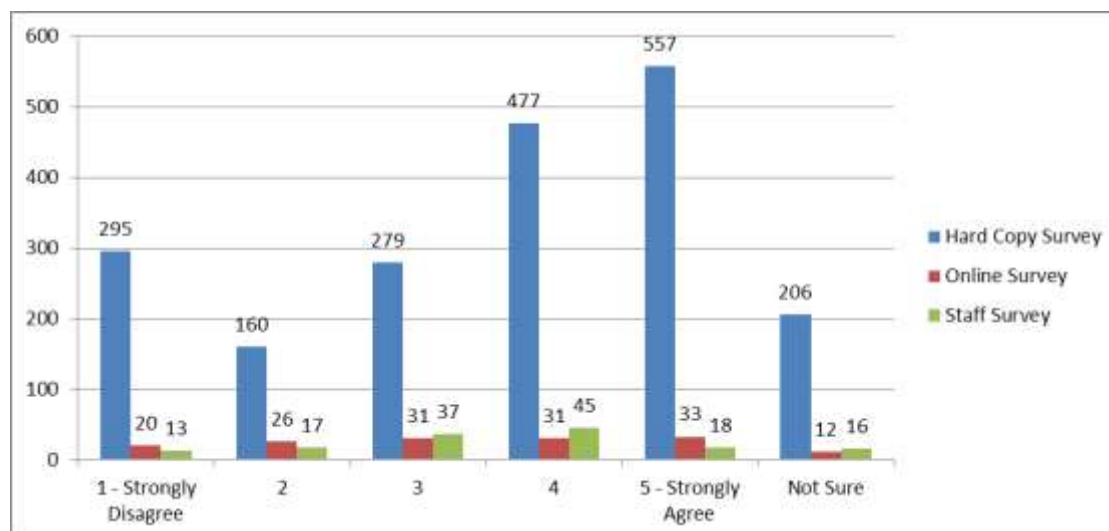
	Telephone Survey	Hard Copy Survey	Online Survey	Staff Survey	Total by Scenario
1) Willoughby stand-alone	392	1043	132	139	1706 (32%)
2) Willoughby and North Sydney merger	367	932	44	27	1370 (25.7%)
3) Willoughby, North Sydney and Lane Cove merger	250	1073	83	56	1462 (27.4%)
4) Willoughby, North Sydney, Lane Cove, Hunter's Hill, Mosman and part Ryde (eastern two thirds) merger	72	364	34	23	493 (9.2%)
Prefer not to indicate a preference	103	172	6	24	305 (5.7%)
Total					5336

*** This table does not include responses where the 2nd preference was identical to the 1st preference. It also does not include submissions with no response entered.*

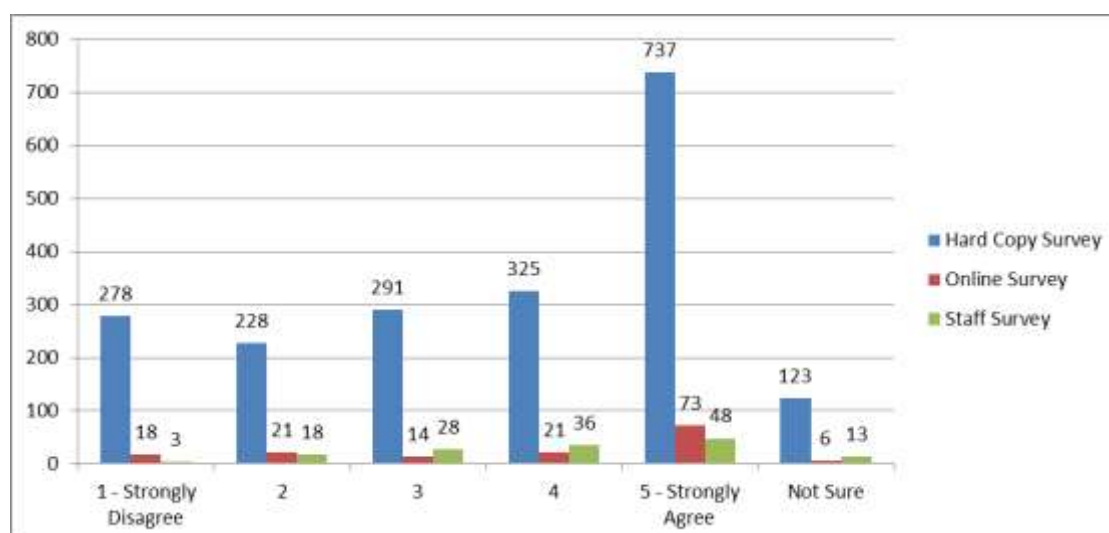
3.9 Additional Questions

Surveys also included general questions to ascertain perceptions about larger councils. The results are summarised hereafter.

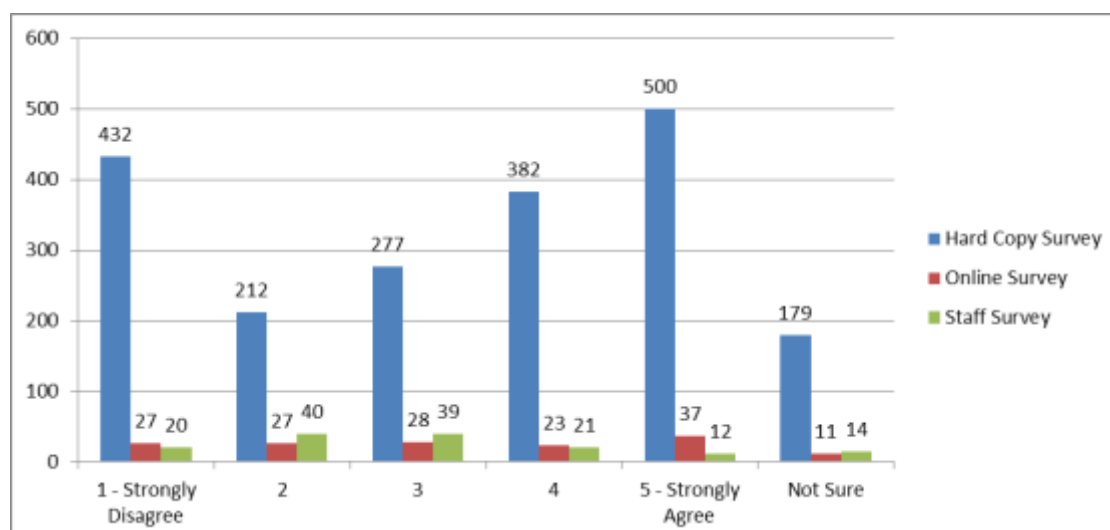
Larger local councils will have more influence with State agencies/government (and other partners)



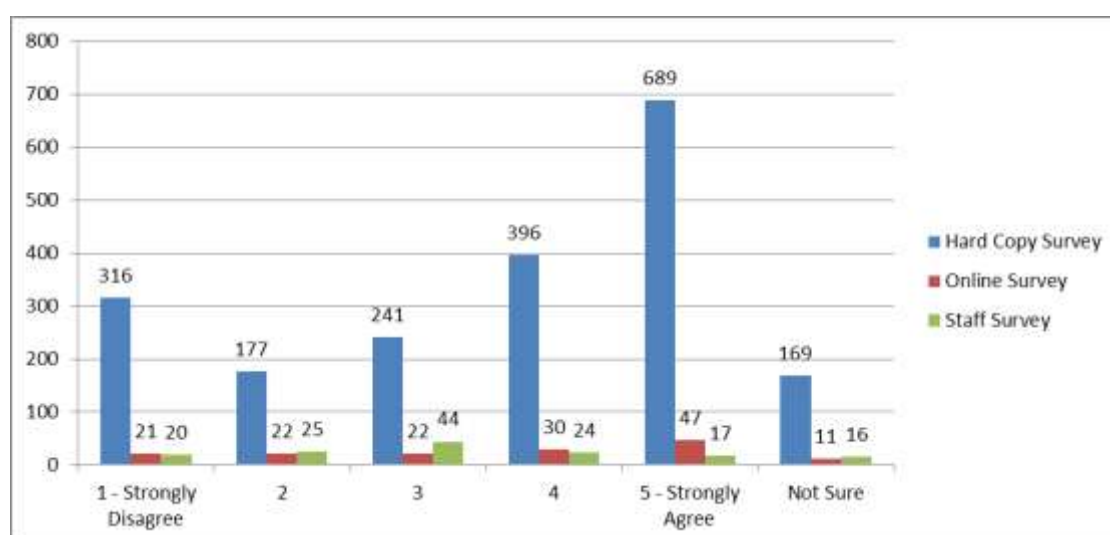
Representation for local residents in an amalgamated council will be reduced



Larger local councils could deliver better services for residents and communities



A larger local council could save money



Below is a summary of responses to the same questions as part of the telephone survey. Responses are represented in the form of low, medium and high agreement.

	(%) Low Agreement	(%) Medium Agreement	(%) High Agreement	(%) Can't Say	Mean / 5
Representation for local residents in an amalgamated Council will be reduced	22.0	19.4	55.2	3.4	3.52
Larger local Councils will have more influence with State agencies/Government (& other partners)	20.2	22.7	53.4	3.8	3.43
A larger local Council could save money	24.5	24.9	45.8	4.9	3.29
Larger local Councils could deliver better services for residents and communities	41.3	19.5	36.1	3.1	2.90

3.10 Qualitative Feedback

A summary of community feedback from all surveys, plus mail and email submissions, is attached to this report. **Attachment 5.**

3.11 Other Submissions

Council received a submission from the Federation of Willoughby Progress Associations which was considered when developing the community consultation plan and influenced the preparation of information provided to the community (refer to **Attachment 5**).

4. Legislative Council Select Committee Inquiry into Fit for the Future

In late May 2015 an inquiry into *Fit for the Future* was announced. A media release from the Legislative Council reads:

'The inquiry was established to closely examine the New South Wales Government's 'Fit for the Future' reform agenda for local government in this state, including the financial sustainability of the local government sector. We are aware of real concerns relating to potential council amalgamations and further cost shifting, so this inquiry is timely and essential to give local government and communities the opportunity to discuss these significant reform proposals.'

And further:

'The committee has identified a number of aspects of the Fit for the Future agenda that we wish to explore in detail. These include the potential impact of forced mergers on rates, as well as on local infrastructure investment and maintenance. We also wish to examine how any forced amalgamations may affect the needs of regional and rural councils and communities, especially in terms of the impact on local economies and the reality of having local issues addressed.'

The Inquiry has called for submissions from stakeholders in relation to the local government reform process, with final submissions due on 5 July 2015. It is anticipated that after the closing date for submissions public hearings will be held in Sydney and Regional NSW.

There is an opportunity for Council to prepare a submission to the Inquiry if this as seen as an appropriate course of action.

5. Positions of other councils in relation to *Fit for the Future*

The table below outlines the position of other councils in relation to *Fit for the Future*.

Council/s	Position
Ryde, Lane Cove and Hunter's Hill councils	<p>Ryde, Lane Cove and Hunter's Hill councils have resolved to:</p> <ul style="list-style-type: none"> • Reject the Independent Panel's preferred amalgamation of Ryde (eastern 2/3), Lane Cove and Hunters Hill with each other and the other three councils • Complete <i>Fit for the Future</i> Template 2 – demonstrating how each council intends to address the <i>Fit for the Future</i> criteria on a standalone basis • Investigate a modified Joint Organisation (JO) to enhance their position in meeting the State Government's scale and capacity criteria, and • Canvas interest among lower north shore councils nominated for merger to participate in a JO
North Sydney Council	<p>North Sydney Council has resolved to build an argument demonstrating that it has scale and capacity to stand alone.</p> <p>North Sydney Council has also restated its position that it opposes forced amalgamations.</p>
Mosman Council	<p>Mosman Council has resolved to maintain its independence by lodging a Council Improvement Proposal (Existing Structure) for its <i>Fit for the Future</i> submission to the NSW Government.</p>

6. IPART'S Role:

The State Government has appointed IPART to perform the role of the Independent Expert Panel to assess how council proposals meet the *Fit for the Future* criteria. IPART released a draft methodology in May 2015 and invited submissions as part of its consultation process.

At the Council meeting on 11 May 2015 Council considered a report on IPART's proposed methodology and resolved to make a submission addressing a number of points concerning the proposed methodology. Council's submission raised concerns with the scale and capacity criteria, the potential use of inaccurate and inconsistent data across councils and a note that scale should not be measured by minimum population size.

On 5 June 2015 IPART released its final *Fit for the Future* methodology, having considered submissions from councils and other stakeholders.

Following four weeks of public consultation, the Chairman advised that scale and capacity goes beyond minimum population size. It is about the ability of councils to deliver quality services and infrastructure at an affordable level and representing the diverse needs of the community. He further advised that the other assessment criteria had not changed.

Councils are to prepare proposals as to their forecasted performance to 2016/2017 and how they will meet the criteria over the medium term (i.e. to 2019/2020) for submission by 30 June 2015. IPART's role is to ensure a consistent, impartial and balanced assessment of councils' *Fit for the Future* proposals with a final assessment report to the State Government by 16 October 2015.

The State Government will advise Councils by December 2015 of the direction they are required to take.

6.1 Proposed Assessment Methodology

Assessment Ratings

To determine a rating, IPART will assess councils' proposals as:

Fit – the proposal satisfies the four *Fit for the Future* criteria overall;

Not Fit – if the proposal does not satisfy the scale and capacity criteria, or does not satisfy overall the other criteria based on our analysis. This rating would be accompanied by commentary and any other findings IPART has made during the course of the assessment, including whether a council's preferred option was a merger that could not be progressed due to a lack of agreement by the other party or parties;

Deemed Not Fit – if a council does not submit a proposal for IPART to assess.

It should be noted that IPART has advised that in undertaking its assessments it will also consider other factors which may influence the results of the *Fit for the Future* criteria, for example, the social and community context of the council.

In order for a council to be deemed **Fit**, the proposal must meet the following criteria:

1. First, satisfies the scale and capacity criteria. It is expected that proposals that are broadly consistent with the ILGRP's (Independent Local Government Review Panel) preferred options would satisfy these threshold criteria. The approach to assessing proposals that do not align with ILGRP-preferred options will take account of a number of factors relating to strategic capacity such as:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

2. Second, satisfies overall the other criteria of sustainability, effective infrastructure and service management, and efficiency. The assessment methodology for these criteria requires councils to demonstrate how they either meet or seek to improve performance against specific benchmarks as shown below:

6.2 Fit for the Future Criteria and Measures

Criteria and Measure	Definition	Benchmark
1. Sustainability		
Operating Performance Ratio (A)	Net continuing operating results (<u>excl. capital grants and contributions</u>) Total continuing operating revenue (excl. Capital grants and contributions)	Greater or equal to break-even average over 3 years
Own Source Revenue Ratio (A)	Total continuing operating revenue (<u>excl. all grants and contributions</u>) Total continuing operating revenue (incl. capital grants and contributions)	Greater than 50% average over 3 years
Building and Asset Renewal Ratio (B)	<u>Asset renewals (building and infrastructure)</u> Depreciation, amortisation and impairment (building and infrastructure)	Greater than 100% average over 3 years
2. Effective infrastructure and service management		
Infrastructure Backlog Ratio (B)	<u>Estimated cost to bring assets to satisfactory condition</u> Total (WDV) ^a of infrastructure, buildings, other structures, depreciable land and improvement Assets	Less than 2%
Asset Maintenance Ratio (B)	<u>Actual asset maintenance</u> required asset maintenance	Greater than 100% average over 3 years
Debt Service Ratio (A)	Cost of debt service (<u>interest expense and principal repayments</u>) Total continuing operating revenue (excl. capital grants and contributions)	Greater than 0% but less than or equal to 20% average over 3 years
3. Efficiency		
Real Operating Expenditure (B)	<u>Operating expenditure</u> Population	A decrease in Real Operating Expenditure per capita over time

*Note IPART advise that the above measures have been declared as either A) must be met by 2019/2020 or B) must show improvement by 2019/2020.

7. Independent Research

In order to prepare a submission which addresses the methodology outlined by IPART, Council has undertaken a number of pieces of research with the assistance of external consultants to provide an independent assessment of information relating to Council's ability to meet criteria in the areas of financial sustainability, asset management, scale and strategic capacity. The contents of these reports will form the basis of Council's submission to IPART.

The following is an outline of how Council intends to address the criteria outlined in IPART's methodology of assessment.

7.1 Scale and Capacity

Scale and Capacity is identified as one of the key *Fit for the Future* criteria by IPART and as such a considerable amount of attention has been dedicated to ensuring that Council is able to demonstrate its substantial strengths in this area.

In addition to significant input from Council officers, which has assisted to compile a detailed assessment of the activities which demonstrate Willoughby's ability to meet the scale and capacity criteria, Council has also engaged consultants to further develop these arguments. Morrison Low Consultants, SGS Economics and Elton Consulting have each assisted to provide information which supports Willoughby's ability to meet the criteria outlined in Section 6.1 of this report.

Council has built significant evidence to support its ability to meet the scale and capacity criteria, details of which can be found as an attachment to this report. Below is a brief summary highlighting some of the key points in Council's argument that it meets the criteria of strategic capacity.

- *With an Own Source Revenue Ratio of 85% in 2014/15, increasing to 93% by 2017/18, Willoughby has a revenue base equal to any of the merger options investigated. With significant revenue from property rental, car parking, interest on investments and bus shelter advertising, as well as a recently approved SRV, Willoughby has one of the most **robust revenue bases** of any council in NSW.*
- *Willoughby has a **demonstrated capacity to execute major projects**. This is shown most prominently in Council's conceptualisation, funding, planning and delivery of The Concourse. Opened in 2011, the redevelopment delivered an iconic complex that serves 800 000 residents in Northern Sydney. The site includes a large concert hall, theatre, exhibition hall, rehearsal spaces and art gallery. It also contains the second largest council library in NSW. Revenue is generated from retail space and a public car park. The facility, excluding the library, made a net profit of over \$600,000 in 2014/15.*
- *Willoughby employs the **full range of skilled staff** expected of a leading metropolitan council. It also employs specialist staff in diverse areas including cultural development, digital media, economic development, heritage, marketing, property management, transport planning, performing arts management and visual arts curation.*

- Council's approach to community engagement is one of many examples of its **knowledge, creativity and innovation**. It has used both a 500 person online panel and a deliberative Citizens' Panel to engage meaningfully on important issues, such as long term planning of asset expenditure.
- Willoughby's **advanced skills in strategic planning and policy development** is clearly demonstrated in planning for St Leonards and, particularly, Chatswood. Willoughby also has a strong track record of negotiating major voluntary planning agreements which deliver benefits to the regional community.
- Council undertakes **effective regional collaboration** through formal structures, such as NSROC and SHOROC, as well as through direct relationships with councils, government agencies and other stakeholders. Council collaborates with its partners on a diverse range of matters, including management of urban growth, delivery of regional infrastructure, and joint procurement.
- Chatswood recently hosted the first Vivid Sydney installation outside the inner city. This internationally renowned event came to the centre due to Council's **effective advocacy**. Chatswood was initially scheduled to host Vivid in 2016, but the program was brought forward because of the strength of Council's proposal.
- Willoughby has repeatedly demonstrated its ability to be a **responsible and capable partner for government agencies**. This is evidenced in the planning and delivery of major projects such as the Lane Cove Tunnel and North West Rail Link.
- Council has recently completed a comprehensive, 18 month review of all business units to identify organisational efficiencies, free up resources to improve capacity and performance. In addition to creating significant savings, the Better Services Review is ensuring Willoughby has **the resources to cope with complex and unexpected change**.
- Willoughby has a history of stable and responsible **political and managerial leadership**. It undertakes ongoing organisational development and improvement programs, with recent examples including the Better Services Review and organisational restructure.

7.2 Sustainability, Effective Infrastructure and Service Management and Efficiency measures:

Council has engaged Morrison Low Consultants to undertake an analysis of the four scenarios proposed for consultation which is detailed in the following table. Refer also to **Attachment 3** for the full report.

	Scenario 1 - Willoughby Stand Alone - 2019/2020		Scenario 2 - Willoughby and North Sydney Merger Proposal - 2019/2020		Scenario 3 - Willoughby, Lane Cove and North Sydney Merger Proposal - 2019/2020		Scenario 4 - Willoughby, Hunters Hill, Lane Cove, Mosman, North Sydney, 2/3 Ryde Merger Proposal - 2019/2020	
Indicator	Modelling Outcome	Improving Trend if benchmark not met (YES/NO)	Modelling Outcome	Improving Trend if benchmark not met (YES/NO)	Modelling Outcome	Improving Trend if benchmark not met (YES/NO)	Modelling Outcome	Improving Trend if benchmark not met (YES/NO)
<i>Operating Performance</i>	Meets the Benchmark		Meets the Benchmark		Meets the Benchmark		Meets the Benchmark	
<i>Own Source Revenue</i>	Meets the Benchmark		Meets the Benchmark		Meets the Benchmark		Meets the Benchmark	
<i>Debt Service Cover</i>	Meets the Benchmark		Meets the Benchmark		Meets the Benchmark		Meets the Benchmark	
<i>Asset Maintenance</i>	Does not meet the Benchmark	YES	Meets the Benchmark		Does not meet the Benchmark	NO	Does not meet the Benchmark	NO
<i>Asset Renewal</i>	Meets the Benchmark		Does not meet the Benchmark	NO	Meets the Benchmark		Meets the Benchmark	
<i>Infrastructure Backlog</i>	Does not meet the Benchmark	YES	Does not meet the Benchmark	NO	Meets the Benchmark		Meets the Benchmark	
<i>Real Operating Expenditure</i>	Meets the Benchmark		Meets the Benchmark		Meets the Benchmark		Meets the Benchmark	

The previous table indicates the positive impact of the proposed Infrastructure Levy and shows the Stand Alone scenario is the strongest option relative to the Sustainability, Effective Infrastructure and Service Management and Efficiency measures. Scenario 4 represents the strongest of the merger scenarios and if, for example the surpluses generated by the entity in later years were used to fund maintenance, then this option would meet the Asset Maintenance Ratio in the longer term, however not by 2019/2020.

Morrison Low Consultants provided Council with some observations surrounding both the Asset Maintenance and Infrastructure Backlog ratios.

In relation to Asset Maintenance it suggests that this ratio is highly impacted by the reported "required maintenance" figure which currently is not based on any specific guidelines. Whilst it assumes that the required maintenance figure reported is the correct figure to maintain the Council's assets in the condition required by the community, it considers that the figure, based on the asset condition information provided by Council, in comparison to other metropolitan councils is high. It recommends that staff review key asset related definitions, particularly regarding both required and actual maintenance, which may lead to an improvement in this ratio in the short term.

As with the Asset Maintenance Ratio, the Infrastructure Backlog ratio is unaudited and information used to calculate it is derived from asset/finance systems with significant variations across NSW councils. The Backlog Ratio is based on asset conditions across a 5 scale system with 1 being excellent and 5 very poor. The Morrison Low Consultants approach to the assessment of the cost to bring to satisfactory adopts condition 3 and looks at the value of the current replacement cost of those assets in condition 4 and 5 and what could be done to bring those assets to condition 3. However it suggests that in reality those assets would be renewed to condition 1 or 2, which is the methodology adopted by Council.

Based on the information provided by Council and using its methodology for calculation, it suggests that the Willoughby figure is considered high comparatively with other metropolitan councils. Using its methodology the calculated backlog ratio at 30 June 2014 would sit at approximately 2.3% or \$13M, whereas Council reported 6% and \$38M.

Staff have commenced work on reviewing key asset related definitions for use when preparing its 2014/2015 Annual Financial Statements and the associated Special Schedules. It is suggested that staff will provide both a cost to bring to satisfactory based on the utilisation of condition 3 for adequate comparison with the industry and also report to the community what the "real" number is to meet their expectations.

8. Preparation of Council Improvement Proposal

Elton Consulting has been engaged to collate Council's final submission to IPART, due 30 June 2015. The submission involves completing a prescribed template, *Template 2: Council Improvement Proposal (Existing Structure)*, which has a set amount of space to enter supporting evidence against each of the criteria. Council is also able to submit a designated number of attachments to the submission as supporting evidence.

Council officers have been working closely with Elton Consulting to ensure that all elements of research and community feedback which have been undertaken as part of the *Fit for the Future* process are adequately represented in the final submission.

9. Conclusion

The State Government's local government reform proposal, *Fit for the Future* requires Council to consider the recommendation of the Independent Local Government Review Panel and then make a submission which suitably addresses the Panel's recommendation. If Council determines not to proceed with a submission along the lines of the Panel's recommendation, whether due to lack of suitable partners or for another reason, then Council must make a 'stand-alone' submission stating how it will meet the criteria proposed by IPART as part of its *Methodology of Assessment*. If Council does not make any submission it will be automatically deemed not fit by IPART.

Council resolved on 9 March 2015 to invite neighbouring Councils into discussions around local government reform and the *Fit for the Future* proposal. Since that time discussions have not progressed due to the resolved positions of neighbouring Councils and, as such, Council's default position is to submit a *Template 2: Council Improvement Proposal (Existing Structure)* as a stand-alone Council.

This being the case, Council has been able to develop a strong argument that it has the ability to meet the criteria as outlined by IPART, namely:

- scale and capacity to engage effectively across community, industry and governments
- sustainability
- effectively managing infrastructure and delivering services for communities, and
- efficiency.

In addition to these criteria, Council is also able to demonstrate the appropriate revenue base, ability to deliver projects, and leadership quality which is being sought through the reforms. Further, recent undertakings by Council such as the Better Services Program and Organisational Review demonstrate that Council is operating in a way that minimises costs for ratepayers taking into account community agreed service levels.

IPART has also indicated that it will be assessing Council's approach to open and transparent consultation surrounding the issue of *Fit for the Future* and results and feedback received during the consultation. The consultation activities outlined in Section 3 of this report give an indication of Council's commitment to genuinely seeking and reporting community views in relation to local government reform.

Council has conducted extensive community consultation and in depth independent research in order to assist in preparing a detailed submission articulating Willoughby's ability to meet the criteria identified in IPART's *Methodology of Assessment* as part of the State Government's *Fit for the Future* Proposal. Based on this evidence it is recommended Council resolve to prepare and submit a *Template 2: Council Improvement Proposal (Existing Structure)* and grant the General Manager delegated authority to complete the final submission due to IPART on June 30 2015.

OFFICER'S RECOMMENDATION

That

1. Based on the information within this Report and its attachments, Council submit a *Template 2: Council Improvement Proposal (Existing Structure)* to the Independent Pricing and Regulatory Tribunal (IPART) by the deadline of 30 June 2015 as part of the State Government's *Fit for the Future* local government reform proposal.
2. The General Manager be granted delegated authority to finalise *Template 2: Council Improvement Proposal (Existing Structure)* submission to the Independent Pricing and Regulatory Tribunal (IPART) based on information contained within this report and its attachments.

Agenda Report

Meeting Date: 22 June 2015

- **Agenda Report** - double-click to view report.
 - **Resolved Items Action Statement** - add a Note informing the Action undertaken as per the Council Decision or Resolution Under Delegated Authority.
-

FIT FOR THE FUTURE

ATTACHMENTS:

1. TELEPHONE SURVEY RESULTS
2. CITIZENS' PANEL REPORT
3. MORRISON LOW CONSULTANT'S FINANCIAL REPORT (DISTRIBUTED SEPARATELY)
4. SUMMARY OF SCALE AND CAPACITY INFORMATION (DISTRIBUTED SEPARATELY)
5. COMMENTS AND SUBMISSIONS RECEIVED DURING CONSULTATION PERIOD (DISTRIBUTED SEPARATELY)

RESPONSIBLE OFFICER: DEBRA JUST – GENERAL MANAGER

AUTHOR: MARK MCDONALD – FINANCIAL SERVICES MANAGER AND DARIUS TUNER - CORPORATE PLANNING & GOVERNANCE CO-ORDINATOR

CITY STRATEGY LINK: 6.3.4 COUNCIL WORKS WITH STATE AND REGIONAL ORGANISATIONS

MEETING DATE: 22 JUNE 2015

Purpose of Report

To seek Council's endorsement for the completion of *Template 2 (Willoughby)* Council Improvement Proposal as its *Fit For The Future* submission to IPART by 30 June 2015. To provide information to Council based on the following:

- A summary of the results of all consultation methods undertaken with residents based on the four Fit for the Future scenarios as resolved by Council on 9 March 2015
- A summary of the Citizens' Panel recommendation
- An update on the appointment of the Independent Pricing and Regulatory Tribunal (IPART) and the associated methodology to be used to determine the "fitness" of Councils
- An update on the adopted positions of Councils which formed part of the four scenarios being considered by Willoughby Council
- Information provided by external consultants to inform Council's *Fit for the Future* submission
- An update on the commencement of a Legislative Council Select Committee Inquiry into *Fit for the Future*
- Details of the process to prepare a submission to IPART, due 30 June 2015

PROCEDURAL MOTION

That the following people address the meeting:

- Elspeth Hodge
- Tom Sherlock (Mosman Councillor)

Ms Hodge and Mr Sherlock addressed the meeting and answered questions of the Councillors.

PROCEDURAL MOTION

That Council move from Open Council Meeting into Committee of the Whole.

MOVED COUNCILLOR WRIGHT

SECONDED COUNCILLOR HILL

CARRIED

Voting

For the Motion: Councillors Giles-Gidney, Eriksson, Hill, Mustaca, Norton, Rozos Rutherford, Saville, Sloane, Stevens and Wright.

Against: Councillor Coppock

COMMITTEE RECOMMENDATION

That

1. Based on the information within this Report and its attachments, Council submit a *Template 2: Council Improvement Proposal (Existing Structure)* to the Independent Pricing and Regulatory Tribunal (IPART) by the deadline of 30 June 2015 as part of the State Government's *Fit for the Future* local government reform proposal.
2. Willoughby Council, making reference to the community feedback, economic modelling and the current anti-amalgamation positions of our neighbouring Councils, makes a submission to the State Government as part of its local government reform program, that Willoughby City Council in its current form as a stand alone Council is "Fit for the Future" and rejects any future forced amalgamations.
3. The General Manager be granted delegated authority to finalise *Template 2: Council Improvement Proposal (Existing Structure)* submission to the Independent Pricing and Regulatory Tribunal (IPART) based on information contained within this report and its attachments.

MOVED COUNCILLOR WRIGHT

SECONDED COUNCILLOR ERIKSSON

CARRIED

Voting

For the Committee Recommendation: Councillors Giles-Gidney, Eriksson, Hill, Norton, Rutherford, Saville, Sloane, Stevens and Wright.

Against: Councillors Coppock, Mustaca and Rozos.